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Adapting to client needs in the digital age
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The challenge for advisors lies in delivering personalization at scale that is at the level of service their clients expect. One area in which advisors can excel is in exploring how to deliver personalization using direct indexing and tax management. Natalie Wolfsen, CEO of Orion, will discuss the ways in which advisors can marry tech with personalization to build deeper connections with clients.

Transcription

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Robert Burgess (00:09):
Hello, welcome to today's event. Thank you for joining us for this Leader's forum here. My name is Robert Burgess. I'm a reporter here at Financial Planning. I cover technology and investment strategies. Today I'm happy to be joined by Natalie Wolfsen Wolfson joined Orion Advisor Solutions at CEO in October, 2023 and is a member of the firm's board of directors. She's the former CEO of AssetMark and has nearly 30 years of financial services industry experience for over 25 years. She has served independent advisors, RIA, and broker dealer affiliated with more than a decade of working with independent and insurance broker dealers. Prior to joining AssetMark in 2014, she previously held digital and investment platform development, investment solution management strategy, and marketing roles at First Eagle Investment Management, Pershing, Charles Schwab and American Express. Thank you for taking the time to join us today, Natalie. I really appreciate it.

Natalie Wolfsen (01:14):
Hey, thanks for having me here. I'm really looking forward to our conversation.

Robert Burgess (01:18):
Yeah, just a quick note, we'll be taking questions during the session, so feel free to put those in the chat at any time and we'll try to get to those during the discussion as time allows. So just to kick us off here, I know that personalization is kind of the theme of this session. I would be really interested to hear about the broader trend in general given that consumers just expect this in every part of their lives. I think of when I was growing up, I would listen to the radio and that you had a handful of stations to choose from and whatever they were playing, that's what you had to choose from. Now it's Spotify and Apple Music and

Amazon Music and every album and artist in the history of recorded sound is at your fingertips. I remember planning my day around when my TV shows like Full House we're on, and if I missed it at 4:30 PM that was too bad then. But now we have every single streaming service imaginable. So for my kids, this is an on-demand world that they're just growing up with and people just in general, every age group now just expects that in every part of their lives. Talk to me a little bit about how that fits in with what you're doing there at Orion.

Natalie Wolfsen (02:36):
It's absolutely true. It's a baseline expectation of all of us in how we engage with our technology, how we engage with any service provider, how we engage at a restaurant, how we order our coffee. Everything is unique to all of us and it actually has deep seated roots in who we want to as individuals and how we want to live our life. I know you've had conversations with Dr. Daniel Crosby, who's the behavioral finance PhD at Orion, and he believes, and I believe too, it goes back to how we want to engage and how much humans want to be understood and not just understood in the financial services marketplace, but also understood in every aspect of their lives. And so there's one survey that Daniel and I like to talk about a lot, and it actually was a survey that produced, it was a study that Accenture produced right before the pandemic.

(03:37):
And even though the survey is a little old, absolutely the insights from the survey we believe illuminate why personalization is a mega trend. It's a trend that's not going to go away. Clients and individuals needs for personalization are only going to deepen over time. And specifically the survey by Accenture, they asked investors what they want from their financial advisor and they were expecting to get high performance, being able to fulfill my goals, top quartile portfolios. They were expecting to hear financial returns as what investors want, and instead what they got was 91%. So substantively all 91% of advisors, investors want an advisors who get them. I mean above everything else, they just want an advisor who understands them and understands who they are, what they'd like to achieve, what happiness means to them. The second highest response was 71%. And what they want is they want to have a connection, shared values, alignment, shared principles with their financial advisors. And then the third coming in at 70% was social connections with their advisors. And so all three of those far and above every other response and far and above any sort of financial return, and the first one, an advisor who gets you, it's difficult for you to know that you're a financial advisor, understands you and understands what you need if you're not delivering them a personalized or highly personalized experience.

Robert Burgess (05:16):
And in years past just solid returns, that's the main thing people want, but that's not, they want more now and they expect more than just simple bottom line. I mean that's table stakes as they say. And that's not even, we need more than that if we're going to get excited about working with you. Right?

Natalie Wolfsen (05:36):

That's right. That's right.

Robert Burgess (05:39):
Definitely. Talk to me a little bit about this direct indexing and custom investment solutions. How can that help advisors deliver personalization at scale?

Natalie Wolfsen (05:52):
It's really interesting. Personalization can be delivered at part of the engagement between the advisor and the investor. You can deliver it with inside investing custom portfolios, either through direct indexing or tax management or if you have a social or environmental perspective that you'd like to implement in your portfolios. You can also implement it in your financial planning and how you set goals and how you understand clients' wants and needs through behavioral finance. And then third, you can obviously personalize technology. So how you deliver information to your clients, how you talk to them, how you write your emails, how you set up the screen on their app, the colors you use. And so we have opportunities throughout the engagement between the advisor and the investor and also with our engagement with financial advisors to personalize, put personalization at the heart of it all. And so as it relates to the portfolios, so direct indexing custom investment solutions, there are multiple ways that you can deliver personal solutions to your clients.

(07:01):
The first is to set up a portfolio that's tax managed. And it's interesting, based on Orion's research from 2022, a whopping 80% of investors expect their advisors to minimize their tax obligation. And 90% of investors feel that not being hands-on as it relates to their taxes will erode their growth and wealth over time. And so this is extremely top of mind for investors. And the great news for advisors is companies like Orion have been investing in portfolio customization and can reduce the time it takes you to minimize tax obligations by about up to 42 hours per high net worth individual. And the way we do this is we offer, and this is per year, I'm sorry, the way we do this is we offer you the technology or we fully outsource portfolio customization based on the guidelines you give us. And we deliver those solutions and the reporting on the effectiveness of those solutions to you.

(08:07):
And so you take this really, really high pain point that used to be extremely time consuming, you automate it or outsource it fully so that it's much, much less time consuming. And then you delight your clients with their ability to personalize their portfolio either for taxes, which is the most important need, or also to build a custom index or pursue a social need of theirs. And it's interesting, you were talking about how television used to be one size fits all and how it's very different now. And same with music. I would argue that investments were the same way. It used to be that you had to invest in a mutual fund or an ETF, and so you got the exact same investment as everyone else, and the tax consequences of mutual funds came along with that. Now you can have your own bespoke set of investments tracking to your own personal, social or environmental objectives

and also your own individual tax needs. And you can do it at very low cost and very low effort. So that's one of the great uses of personalization in our industry.

Robert Burgess (09:17):
Right. Going back a little bit to, we were talking about behavioral finance, like you mentioned, I've interviewed Daniel Crosby before and that's a really interesting subject to me that does seem like it does help with personalization. Talk to me a little bit more about how you hone in on that behavioral finance piece there.

Natalie Wolfsen (09:41):
Yeah, absolutely. So we've invested a lot at Orion in behavioral finance because we believe that at the heart of it all the business that advisors are in is a business of comfort, getting clients comfortable with their financial lives, getting clients comfortable with their goals, getting clients comfortable that they're going to have enough money to send their kids to college, enough money to retire comfortably enough money to lead the fulfilling life that they're hoping to lead. They have the confidence to spend the money that they've worked their whole lives to earn. And a piece of this is the portfolio, but a bigger piece of it is really understanding a client's relationship with money. And it's difficult for a financial advisor at scale to understand how maybe two parts of a partnership, the husband and the wife, how they feel about money. And what Orion has done is we've implemented two tools.

(10:37):
The first is the behavioral finance 20 or BFI 20, which is a short set of questions and a short set of trade-offs takes about three minutes to go through the profile. And at the opposite end of the profile is an assessment of who you are and how you're likely to respond to money. So some folks are financial optimists like me, other folks are financial pessimists like my husband. And it gives the advisor an assessment of each person who goes through the behavioral finance 20 survey and the advisor can talk to both parts of the couple about what their attitudes towards money mean for what their reactions might be in different market conditions. In addition, we implemented a pulse check and the pulse check guides investors through a series of questions that help them understand what makes them fulfilled and happy, how they should spend their time, their effort so that they can have the most fulfilling life possible.

(11:38):
There's six wellness categories in the survey, and at the end of this survey, the advisor and the investor can have a very deep conversation about how they can pursue a fulfilling life and the aspects of that fulfilling life that they need to make sure the financial plan funds that their life makes time for. And so both of these surveys, we've automated it. We have the output for the advisor to use those outputs seamlessly go into the financial plan, they seamlessly go into our portfolio comparison tools and we automate some communications from the advisor to the investor. And again, this is a way that you can have a very fulfilling conversation with a client at scale.

Robert Burgess (12:30):
And that kind of goes into what I wanted to talk about next, which is just the idea of personalization at scale. I mean that almost seems like an oxymoron in some ways because personalization is very personal and scale is very big. And how do you keep something so personal while getting big? And I have to imagine that AI plays some role into that. Can you talk a little bit about managing those? It's almost like a tightrope, it seems like being personal but also getting bigger.

Natalie Wolfsen (13:02):
Absolutely. And apologies, I'm getting over a cold.

Robert Burgess (13:05):
You're fine.

Natalie Wolfsen (13:07):
AI is an incredibly powerful tool to help advisors take huge amounts of information and distill it into what's only the most important parts of the conversation. And the interesting thing about AI is about 30% of advisors are already using it. They're already using it to give them first drafts of their communication to build insights, to drive scale in the root tasks of their businesses so that they can redeploy that time to the high value conversation with their clients. And I don't think many people know that such a high percentage of advisors are already using AI tools in one way or another. In addition, 46% of advisors, so half expect to use AI tools in the next three years, and this is based on a survey that Orion does about once a quarter because we want to make sure we're understanding how our tools can evolve ahead of advisor needs.

(14:02):
The last thing I'll just say about this is a third are afraid they fear ai, they fear the loss of the relationship, they fear the automation of the advisor's conversation with the client. And so the first thing I just want to say is AI is highly enabling if you use it in ways that take those rote tasks off your plate so that you can provide higher value added services and more conversations with your clients. The second thing I'll say is that ai, without the advisor's insights, expertise, knowledge can really lead you astray. And so when you're looking to implement AI in your practice and you want to use AI tools like the tools that Orion provides either through its CRM system or its portfolio comparison tool, think of them as a first draft. It's just a place to get started where all of the research and alignment of information is done for you and you have a place to start and then use that place to start in your conversations, in your conversations with your client. What we find again is there's less advisor time researching and aligning numbers and reconciling and more time with the client and the more time you spend with the client talking to them about what's important to them in a way that makes sense to them given their behavioral profiles, it really resonates with them understanding that you get them and you know them. And so you have very loyal clients and clients that grow with you.

Robert Burgess (15:40):
And kind of going with that is the human remaining in the loop. There's not, you have these AI tools and I think a lot of the fear or the angst around it is seeing it as a replacement, but what I hear you saying is it's more of something that's going to help you do your job better while you still maintain that relationship. That's the first and foremost thing is that relationship, right? I mean,

Natalie Wolfsen (16:08):
That's right. Think of it a little bit like a calculator. When all of us Gen Xers were growing up, you still had to understand the math for the calculator to be useful to you. You still had to add your knowledge to whatever calculations you were asking the calculator to do, but man, the calculator sure made math more fun because you weren't doing the basic addition. The basic multiplication technology was able to do that for you and enhance your ability to calculate much more quickly and much more accurately.

Robert Burgess (16:45):
Right. And looking forward a little bit, where do you see this technology going? Obviously we're still in early days chat, GPT just came out just about two years ago now and that's changed so much in that time period. And obviously it is hard to say where things will go, but what are you looking down the road a little bit, how are you seeing these advancements continuing to affect this personalization at scale idea?

Natalie Wolfsen (17:15):
It's interesting. I think that some of the biggest positive impacts of AI will be felt in the processing part of financial services, whether it's setting up basic code for our developers, knowledge centers for client service and advisors being part of that where rather than having to do one an individual question research every time you get a call, instead as the call comes in, you can assess what the nature of the call is and the customer service professional can be served up an answer that's been effective in many calls like that. So I think it's going to be in the operations, the client service, the processing that we're going to see the biggest impact of ai because again, it'll take out the complexity of navigating to the right information or navigating to that starting point answer. And the reason I mentioned that to advisors is you're all beneficiaries of that because it means that the technology providers you use, the asset management providers you use, the custodians that you partner with, all of us will be able to serve you better and more effectively because we have the benefits of the increased processing.

(18:32):
And then for you as financial advisors, I think that having access to information much more quickly in a much more digestible way, whether it's related to business intelligence or serving your clients or understanding how to navigate to an answer to their question, is going to give you a lot of time back in your day. And then the second place I'll say is I think that we're just barely scratching the surface on this idea of first drafting. First drafting in plans first, drafting in

portfolio assessments or portfolio audits, first drafting and communications. Imagine how much more effective you can be in a market that's behaving differently from what clients expect like in 2022 or in 2008, your ability to get messages out to your clients more quickly that are more personal to them so that they don't make decisions that have bad consequences for the growth in their portfolios for the rest of their lives.

Robert Burgess (19:31):
Definitely. And then thinking about all this personalization, obviously that requires a lot of personal data and I'm sure some people are concerned about where's that data going? Can someone get to it? I'm sure clients have the same issues as well that they're concerned about. What do you say to people those types of concerns? Because I mean you need a lot of personal data, like you were talking about that assessment that's collecting a lot of personal data about somebody, and if the wrong person were to get their hands on that, that could really give them a picture about somebody.

Natalie Wolfsen (20:03):
Yeah, that's absolutely true, and there's good news there. It's interesting. I'm going to make a regulatory point and it's good news. The good news is the regulators are really attempting to understand that and protect consumers and specifically as it relates to the large language models and personal information, finding its way into large language models. Second is really understand your partners security and privacy policies because I can tell you that providers like Orion, we're spending a lot of time making sure that we're protecting client data and that we're being very thoughtful about how we construct our AI models and either anonymizing or limiting the personal information that's included inside the relationship that you have with your technology provider. And so it's a huge question and a really big concern, and one that I would argue we all really need to understand privacy policies, policies and security policies really deeply and also one that the regulators are highly focused on right now.

Robert Burgess (21:10):
Definitely. And certainly Orion is not the only company out there doing some version of personalization at scale. What are you doing that you feel that others may be aren't or how are you standing out from the crowd in terms of this personalization at scale?

Natalie Wolfsen (21:28):
Yeah, so Orion is an award-winning AI provider. We are an ai. We were just this year we won awards for our investments in ai. In addition, we were on the leading edge in our Redtail speak offering for CRM. We implemented the industry's first GPT to aid in communications driven through our CRM to clients. Looking at your last five communications with that particular client as a starting point. In addition, we are on the leading edge of the integration between finance, behavioral, finance and personal communications. In our portfolio compar tool. We bring in the financial plan, the existing portfolio, a proposed future portfolio, the information we know about the emotions and the goals of that client into a

set of communications where the advisor can start from. And Orion can only do this because we've deeply integrated our planning, our risk management, our portfolio accounting, our CRM tools into a client experience that has the meaning of the client at the center of it all.

(22:55):
And you should expect ever more of this type of personalization and this investment in AI from Orion this year. You mentioned data earlier, we've really focused on getting our data aligned so that we can understand client interactions across multiple systems. I believe that disconnected technology is one of the biggest challenges in financial services, and no provider can expect to be an all-in-one solution for every client. And so at Orion, we're very, very focused on integrating not just our own technology, but also the solutions that advisors use that are not at Orion so that you as the advisor can spend more time with your client. And so a lot more great exciting things are happening at Orion, but those are some highlights.

Robert Burgess (23:44):
Definitely. And I know that from talking to advisors, that is one area that in all aspects of their tech stack they want to see more of is that integration between the various parts of their tech stack, especially when you're dealing with all this personal information, not having to enter it twice, maybe losing something in the translation. So I know that that's been a big issue, not just speaking about Orion here. Of course I'm talking about every part of their tech stack.

Natalie Wolfsen (24:12):
It's interesting, we've been talking about investor personalization on this call. The point I made about integration and you just made is advisors want to personalize too. They want to personalize their business, they want to personalize their technology, and that just doesn't mean personalizing the tiles on your home screen. Clearly Orion as a leader in doing that, but also who you choose to partner with and the experience you want to bring together for your clients. And so at Orion, we believe giving you the ability to personalize in that way is our responsibility because just like you want to personalize the music you stream, you want to personalize how you do your work every day. And hopefully you love the Orion solutions that you use, but if you love something else, then we need to make sure that we integrate with that so that if you use a different CRM system or use a different financial planning system, you get the power the best of both in one view.

Robert Burgess (25:08):
Definitely. Well, I'm seeing that we only have about a minute left and I don't see any questions in the chat, but if you want to email me anyone, that's fine. I'd be glad to respond and I'll try to get an answer for you. Also, I had a question I guess from somebody asking about a summary of the survey that you had referenced at the beginning, so maybe if you could send that to me, if anybody wants that, please reach out and I would be glad to get that to you.

Natalie Wolfsen (25:37):
We would be happy to do that.

Robert Burgess (25:39):
Yeah, definitely. Well, thank you for taking all this time. This has been a really interesting discussion and I'm sure we'll talk again and about this and about many other things relating to this and personalization at scale. I feel like this is going to be a huge issue going forward. So I don't see this ending anytime soon.

Natalie Wolfsen (25:58):
Me either. And thanks for taking the time today and to everyone on the call, thanks for listening.

Robert Burgess (26:03):
Definitely. Thank you everyone. I appreciate it.